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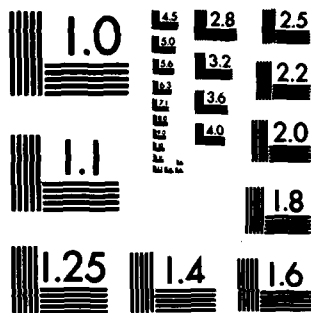
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WHY PRODUCTIVITY EFFORTS FAIL*

A background paper
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In the 1970's we saw a proliferation of new forms of work organization projects conceived by labor and management. These projects were aimed at improving the quality of working life (QWL), the quality of union-management relationships, and organizational effectiveness. In many ways the new forms of work organization were revolutionary in the sense that they represented fundamental changes in how labor and management could work together, how work would be organized, and how organizations might be designed.

Autonomous work groups represent one type of new form of work organization project. Basically, these are self-governing groups organized by process, place, or product. There is a substantial shift in authority and decision-making as the group takes over decision-making on hiring, discipline, allocation of production tasks, etc. Matrix business teams represent another new form of work organization. Here line and staff managers are organized around business teams rather than functions. Attached to each team is a voluntary set of shop floor teams whose task is to improve productivity. Many other organizational changes such as QC circles, Scanlon Plans, job enrichment activities, and labor-management problem solving groups were introduced during this period. They all represent fundamental changes in the organization's communication, decision-making, authority, and reward systems. They also create fundamental changes in the relationships among people within the organization.

This paper is concerned with whether these programs last. That is, after some initial period of success, do these change programs persist and become institutionalized, or are they just temporary phenomena? Why do some projects decline while others do not? What factors shape whether these QWL projects have some long-term viability?

Significance

The importance of understanding more about the concept of persistence or institutionalization of change should be apparent. If one is interested in bringing about long-term changes in productivity, and in the quality of working life, labor-management relationships, and organizational effectiveness, then we must know more about why some change programs remain viable while others decline.

There is some growing evidence (Mirvis and Berg, 1978; Goodman and Dean, 1981) that many of these new forms of work organization projects do not last. Goodman and Dean (1981) recently examined the persistence of change in a heterogeneous sample of new forms of work organization projects. They selected organizations in which the change program had been successfully introduced and where some positive benefits had been identified. Goodman and Dean interviewed participants in these organizations four to five years after the projects had been implemented. They wanted to know whether the change activities had persisted. Only one-third of the change programs exhibited some reasonable level of persistence. The other change activities were either non-existent or in decline. Given the huge amount of human and financial resources allocated to programs of change, such a low rate of persistence makes for a disturbing practical problem for managers and practitioners of organizational change.

INSTITUTIONALIZATION---A DEFINITION

Our approach is to study the persistence of organizational change via the concept of institutionalization. Institutionalization is examined in terms of specific behaviors or acts. We are assuming here that the persistence of QWL type change programs can be studied by analyzing the persistence of the specific behaviors associated with each program. An institutionalized act is defined as a behavior that is performed by two or more individuals, persists over time and exists as a part of the daily functioning of the organization. It should be clear from our definition of institutionalization that an act is not all-or-nothing. An act may vary in terms of its persistence, the number of people in the organization performing the act, and the degree to which it exists as part of the organization. Most of the organizational cases we have reviewed cannot be described by simple labels of success or failure. Rather, we find various degrees of institutionalization. The basic questions are, then: What do we mean by degrees of institutionalization? How do we measure these degrees?

We have identified five factors that contribute to the degree of institutionalization:

1. Knowledge of the behaviors. Remember that institutionalization is analyzed by looking at the behaviors required by the change program. Here we are interested merely in how many people know about these behaviors, and how much they know. Do they know how to perform the behaviors? Do they know the purposes of the behaviors? For example, "team meetings" are a part of many QWL programs. In some cases, people know that they are supposed to have team meetings, but don't know what they are supposed to do in the meetings. In other cases, people may not

even know that they are supposed to have the meetings. In this type of situation, the change program is not very institutionalized. This is why knowledge of the behaviors is important.

2. Performance. Here we are interested in how many people perform the behaviors, and how often they perform them. This is not quite as simple as it sounds, however. First, some behaviors are supposed to happen more often than others. A labor-management committee may be expected to meet occasionally, say about once a month, while team meetings are held weekly. We would not say that team meetings are more institutionalized than the labor-management committee just because they are more frequent. Second, some behaviors are supposed to be performed by more people than others. Most employees would be involved in team meetings, but only a few would take part in a labor-management committee. Again, we would not want to say that the team meetings were more institutionalized than the labor-management committee. The idea is not merely to count the number of persons or the frequency of behaviors, but rather to compare numbers and frequency to the levels required by the change program. Only then can reasonable comparisons be made.

3. Preferences for the behaviors. Here we are interested in how much people either like or dislike performing the behavior. In well institutionalized change programs most organizational members will like the critical program behaviors. In change programs on the decline there generally are negative feelings expressed toward the critical program behaviors.

4. Normative consensus. This aspect of institutionalization measures two things: 1) how aware individuals are that other people in the organization are performing the behaviors, and 2) how aware people are that other people feel they should perform the behaviors. Generally, when we see

other people performing a behavior, we assume that they want to perform it, even though this may not be true.

5. Value. The final measure of institutionalization is the extent to which people have developed values concerning the behaviors in the change program. Values are general ideas about how people ought to behave. For example, many change programs include behaviors consistent with the values of freedom and responsibility, as in autonomous work groups. The more people have developed these values, and the more aware they are that others have developed these values, the greater the degree of institutionalization for the change program.

The five aspects above represent measures of the degree of institutionalization. But how do we combine them to get an overall measure? The answer is relatively simple, because the five aspects of institutionalization generally occur in the same order. This is the order in which we presented them. First, people develop beliefs about the behaviors (#1), and then they begin to perform them (#2). People start to develop feelings about the behaviors (#3), and others come to be aware of these feelings (#4). Finally values start to evolve concerning the behaviors (#5). The further this sequence has progressed, the more the program has become institutionalized. Thus, in one program, people may know about the behaviors and perform them, but none of the other aspects may be present. In another program, the behaviors may be known, performed, liked, and supported by norms and values. The latter program is obviously more institutionalized.

FACTORS WHICH AFFECT INSTITUTIONALIZATION

General Framework

Now that we have a way to represent the degree of institutionaliza-

tion, we can try to explain how and why it happens. Why are some QWL programs more institutionalized than others? Our opinion is that there are five processes which affect the degree of institutionalization. We believe that these five processes are the major factors in predicting the degree of institutionalization a program will attain. There are, however, other important factors that affect these five processes. They are the structure of the change program and organizational characteristics. The structure of the change program means such things as the goals of the change, how general it is, the critical roles associated with the change (consultant, facilitator), etc. Organizational characteristics are arrangements existing in the organization prior to the change program. Organizational characteristics include such things as work force skill level, labor-management relations, and existing values and norms. It should be emphasized that these factors are important only insofar as they affect the five processes (see figure 1). We will also briefly present in this section some empirical findings of the present authors, as well as others, about the processes and other organizational factors related to institutionalization.

A. Five Processes

1. Training

The first process to be discussed is training. Training is providing information to organizational members about the new work behaviors. There are three major situations in which training is important: training as the program is started, retraining after the program has been in place

for a while, and training of new members of the organization. The importance of training in general has been demonstrated in studies by Golombiewski and Carrigan (1970) and by Ivancevich (1974) in manufacturing firms, and by Goodman (1979), in an underground coal mine. Most organizations do an extensive amount of initial training, but are less consistent in retraining and in the training of new members. Goodman and Dean (1981) found that programs in which attention was paid to these latter types of training were likely to be more institutionalized.

2. Commitment

Commitment refers to how motivated people are to continue to perform a behavior. Therefore, a high degree of commitment should increase the chances that behaviors in a QWL program would continue, or be institutionalized. Commitment toward a behavior is increased when people voluntarily select that behavior in some public context. A recent study by the present authors (Goodman and Dean, 1981) has demonstrated the importance of commitment for institutionalization. For example, an autonomous work-group program seemed to grow and develop when personal choices were carried out freely. Later in the program, when the organization required others to participate in the program, it began to decline. The same study also found that programs with more frequent commitment opportunities were more institutionalized than those with limited commitment opportunities. Several other studies have noted the impact of commitment on institutionalization. For example, Ivancevich (1972) attributed the failure of a Management by Objectives program to a lack of commitment by top management. Walton (1980), on the other hand, notes high levels of commitment in several successful programs of work innovation. Research on commitment by Kiesler

(1971) and his associates suggests that institutionalization can be facilitated by withholding challenges to the new behaviors (e.g. new work group members) until the workers are firmly committed to the new behaviors.

3. Reward Allocation

This is the process by which rewards are distributed to employees in connection with the change program. Three aspects of the reward allocation process are important in understanding institutionalization: what types of rewards are available, the links between behaviors and rewards, and problems of inequity in the distribution of the rewards.

Many organizational change programs have been based on the assumption that intrinsic rewards (such as autonomy and responsibility) are sufficient for institutionalization. However, Goodman (1979) and Walton (1980) have questioned this assumption. In the recent study by the present authors, programs that combined both extrinsic (e.g. bonuses) and intrinsic rewards attained the highest degree of institutionalization, while programs with intrinsic rewards alone were less institutionalized.

The second issue in reward allocation concerns the link between the behaviors required by the change program and rewards. It is important that the rewards be linked to the actual performance of the behaviors, as opposed to mere participation in the program. We have found that there is a higher degree of institutionalization in programs where the link between performance and rewards is strong. This is consistent with statements by Vroom (1964) and Lawler (1971) concerning reward allocation.

A final issue concerning reward allocation is the potential for problems of inequity. Problems of inequity occur when an employee feels he is not being fairly compensated for the work he is doing. Results of

studies have shown that new programs often became complicated by problems of inequity. For example, Goodman (1979) describes problems in a program to develop autonomous work groups in a coal mine. Part of the program involved job switching, whereby each new member would eventually learn all the jobs in the crew. The problem was that the entire crew was to be paid at the same (higher) rate, which originally was paid only to certain crew members. Since it had taken years for some of the men to attain this rate, they felt it inequitable that the other crew members should come upon it so easily. This contributed to the decline of the change program. Similar problems of inequity have been reported by Locke, Siroto, and Wolfson (1976), in their study of an attempt at job enrichment in a government agency.

4. Diffusion

Diffusion refers to the spread of the change program from one part of an organization to another. Diffusion is significant because the more the change program becomes diffused, the stronger the levels of institutionalization. As long as the program is restricted to one part of the organization, people may not feel compelled to take it seriously or they may object to it. But as diffusion starts to occur, people in other parts of the organization will begin to consider whether they should participate. As the program spreads, there also are chances for counterattacks on its validity.

The importance of diffusion for institutionalization has been noted by Goodman (1979) in the coal mine study mentioned above. In this study, when the intervention failed to diffuse beyond the original target group, it was perceived as inappropriate and failed to become institutionalized.

Similar findings have been reported in a study of work teams in several plants of a large manufacturing company (Personal Correspondence, 1980). When the innovations continued to be limited to a few parts of the organization, they were not seen as appropriate, and failed to become institutionalized. However, the researchers in this study caution against diffusion that is too rapid, as widespread understanding, acceptance, and resources are necessary to support such an effort. Without these prerequisites, the program will collapse under its own weight. In general then, a medium course must be found between no diffusion and diffusion that is too ambitious for the resources supporting it.

5. Sensing and Recalibration

Sensing and recalibration are the processes by which the organization finds out how well the program is doing, and takes steps to correct problems that have emerged. One of the common findings in our study (Goodman and Dean, 1981) was that what was actually occurring in the programs was often different from what was intended. That is, the organizations seldom had any formal way of detecting whether the intended change was "in-place." Only in the most institutionalized programs in our study did mechanisms exist for feedback and correction. Walton (1980), who has undertaken a number of case studies of organizational change, says that the lack of sensing and recalibration mechanisms is a major cause of the failure of institutionalization. In another study, feedback mechanisms were in place, so that information about the progress of the program was available (Personal Correspondence). However, nothing was done about the problems that were detected. Both sensing and correction mechanisms are important in attaining a high degree of institutionalization.

B. Structure of the Change

Now that we have discussed the findings about the processes, we can discuss some of the factors that affect the processes. First, we will discuss the structure of the change, which refers to the unique aspects of the change program. Specifically, we will talk about the goals of the programs, the formal mechanisms associated with the programs, the level of intervention in the programs, how consultants were used, and sponsorship for the programs.

1. Goals

Some programs have very specific and limited goals, whereas others have more general, diffuse goals. In our study, (Goodman and Dean, 1981) we found that programs with specific goals became more institutionalized than those with diffuse goals.

2. Formal Mechanisms

Most change programs have some new organizational form and procedures associated with them. These include the hierarchy of groups found in the parallel organization, the self-governing decisions made by autonomous work groups, etc. Here we are interested in how formal these arrangements are. For example, are meetings scheduled in advance? Are procedures written down? In general, we have found that programs with more formal mechanisms and procedures attain higher levels of institutionalization.

3. Level of Intervention

Here we are interested in whether the QWL program was introduced in a part of the organization, or in the whole organization. In our study, programs that were introduced throughout the whole organizational unit were

more institutionalized than programs limited to a part of the organization. One of the problems with smaller-scale intervention is that people from other parts of the organization sometimes attempt to sabotage the program. This was true in four of the organizations that we studied (Goodman and Dean, 1981), none of which had programs which were very institutionalized.

4. Consultants

Most organizations, when undertaking a change program, will employ a consultant to help them. This was true in the organizations we recently studied. Some organizations use consultants for longer periods of time than others. We found that firms that rely on consultants for a long time are less able to develop their own capacity for managing the program. Consequently, after the consultant leaves, they are less able to institutionalize the program. The greater the dependence on the consultant, the less successful the program.

5. Sponsorship

Another factor that appears to affect the degree of institutionalization is the presence of a sponsor. The sponsor is an organizational member in a position of power who initiates the program, makes sure that resources are devoted to it, and defends it against attacks from others in the organization. If the sponsor leaves the organization, no one will perform these necessary functions, and processes such as commitment and reward allocation will be hampered, thus making it harder for institutionalization to occur. In our study, the initial sponsor was still present in organizations which had more institutionalized programs, but programs whose sponsors had left were low in institutionalization. Problems with withdrawal of sponsorship are well-documented in the literature on organizational change, having

been reported by Walton (1975, 1978), Miller (1975), Frank and Hackman (1975), Crockett (1977), and Levine (1980).

C. Organizational Characteristics

Organizational characteristics are those aspects of the organization which exist prior to the change program, which will have an effect on the degree of institutionalization which the program will attain. These characteristics are important to the extent that they affect the processes we have discussed (commitment, diffusion, etc.).

1. Congruence with Organizational Values and Structure

Whatever the nature of the change program, one important factor for institutionalization is the extent of congruence or incongruence between the change program and existing organizational properties. In general, the more congruence, the greater will be the likelihood of institutionalization. Various organizational characteristics may be important in understanding congruence. In the cases studied by the present authors, congruence between the change program and pre-existing management philosophy led to higher degrees of institutionalization. Other authors have demonstrated the importance of congruence between the organizational change and corporate policies (Fadem 1976), individual values and motives (Seashore and Bowers 1978), the authority system (Mohrman et al. 1977), the skills of the employees (Walton 1980), organizational norms and values (Levine 1980, Warwick 1975, Crockett 1977), and cultural norms and values (Miller 1975). Of course, if these are already in conflict with one another, it will be difficult for programs to be congruent with all of them.

2. Stability of the Environment

From the evidence reported so far, it should be clear that institutionalizing a change program in an organization is a difficult task, even in the best of situations. Adding instability to the situation only makes things worse. In our study, (Goodman and Dean, 1981) there were only two cases of instability in the environment. In these cases there was a major decline in demand for the organization's products, which led to curtailments in the work force. This in turn changed the composition of many of the groups that were an integral part of the change program. These groups became less effective, which lowered the degree of institutionalization. Similar results were found in another study (Personal Correspondence) as an economic recession led to lay-offs and bumping. Environment instabilities such as these represent a major obstacle to institutionalization.

3. Union

The role of the union can play a major role in determining the degree of institutionalization. Many of the new forms of work organization changes run in parallel with other union-management activities related to the traditional collective bargaining process. If there are high levels of labor-management conflict in the collective bargaining area, we expect these to spill over to the productivity and quality of working life activities and negatively affect their viability.

Most local unions are part of larger institutional structures. In other studies (c.f. Goodman, 1979) there is evidence that the quality of the relationship between the local union and the international will have a critical impact on the viability of any change program in a given firm.

How to Make Programs Last

Our recommendations for how to make programs last should come as no surprise to the reader, as they are derived from the above findings and theory:

1. Be selective in implementing programs. Organizations or subunits which have labor-management problems or an unstable economic environment are not good locations.
2. Plan for institutionalization in the beginning. Many programs do not persist because all of the resources are directed at initiating the program, rather than maintaining it.
3. Be aware of congruence problems. Programs which are incongruent with organizational norms and values seldom persist. Gradual changes to reduce the incongruence are possible but they require much time and effort (see Goodmand and Dean 1981).
4. Structure of the change. The following characteristics of programs have been shown to facilitate persistence:
 - a) specific, written-out statements on program goals.
 - b) formal procedures to implement the program activities.
 - c) total system intervention, with organizational resources to support it.
 - d) limited, short-term use of consultants.
5. Training over time. Training should not be abandoned after a month or even a year, but must be redone periodically to reinforce the change.
6. Commitment. High commitment comes from (1) voluntary participation in program activities and (2) opportunities for recommitment over time.

7. Effective reward systems. Reward systems should:

- a) include both extrinsic and intrinsic rewards.
- b) link rewards to specific behaviors.
- c) introduce a mechanism to revise the reward system.
- d) minimize problems of inequity over compensation.

8. Diffusion. Programs which are linked to one organizational sub-unit often die in isolation. Attempts must be made to spread the program to other organizational areas.

9. Sensing and recalibration. A direct and accurate feedback mechanism which measures the performance of program activities is necessary if the change program is to adjust, grow, and remain viable over time.

Summary

Many programs of organizational change, while initially successful, do not persist. ~~We have conceived of~~ Persistence or institutionalization ^{has been} as occurring by degrees, ranging from knowledge about the behaviors associated with the program to values supporting these behaviors. Five processes which affect the degree of institutionalization have been identified, and aspects of the structure of the change and organizational characteristics which affect the processes were also examined. Finally, recommendations, based on our findings, were enumerated as to what managers can do to facilitate persistence of change in their organization. ←

Figure 1

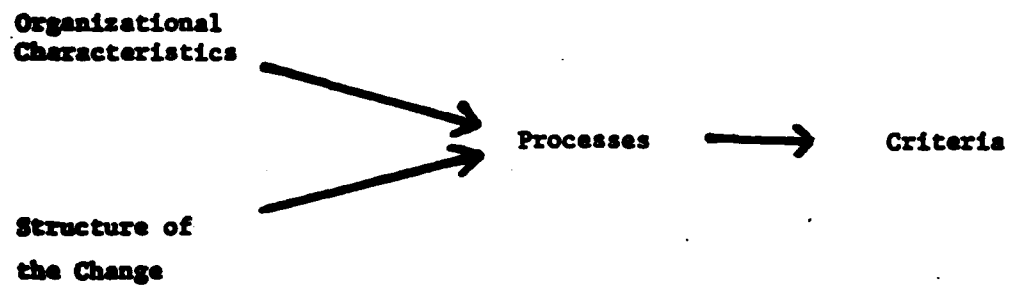


Figure 1 — A simple model of variables related to institutionalization.

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